



**Testimony Supporting SB 771: An Act Establishing a Refundable Child Tax Credit SB 772: An Act Increasing the Applicable Percentage of the Earned Income Tax Credit HB 5673: An Act Concerning the Reformation of Certain Taxes and Tax Equity Committee on Finance, Revenue, and Bonding
February 27, 2023**

Senator Fonfara, Representative Horn, Senator Martin, Representative Cheeseman, and members of the Finance, Revenue and Bonding Committee: My name is Liz Fraser and I am the Policy Director for The Connecticut Association for Human Services. CAHS advances multi-generational policy and program solutions which promote family economic well-being, and foster equitably resourced communities.

I am here to express strong support for SB 771 and SB 772, *An Act Establishing a Refundable Child Tax Credit*, and an *Increase to Connecticut's Earned Income Tax Credit program*. Passage of each of these bills will give needed relief to some of Connecticut's most under-resourced families. Additionally CAHS also supports HB 5673 *An Act Concerning the Reformation of Certain Taxes and Tax Equity for the provisions that include a permanent state CTC and expanded state EITC*, which provides a menu of tax reforms that will make Connecticut's tax structure more equitable, and represents a positive shift in Connecticut tax policy leading to stronger families and children. The proposed revenue strategies in HB 5673 could go a long way in addressing the urgent need to make Connecticut a more liveable state for young families. One of these issues is the broken child care business model which is in dire need of attention, providing the opportunity for families with young children to work, as children are in high Quality early care and education programs.

Connecticut is an extremely wealthy state, yet it is not *shared* wealth. Connecticut's "wealth gap" has grown to be one of the widest in the nation, with wealthy citizens having access to all life has to offer, and under-resourced families unable to access affordable housing, heat, and even food. Over many years CT has made little progress towards substantially reducing child poverty, which falls disproportionately on brown and black children. In fact, today there are well over 90,000 children living in an impoverished household.¹

The EITC is targeted towards very low income families, who struggle every day to live in an expensive state. Eligibility for the EITC is limited to those who have earned income under \$63,000 with maximum investment income below \$10,300 in the tax year 2022. Last year over 187,000 filers received the CT EITC reducing their tax burden by a total about 87 million dollars, and helping to the

¹<https://datacenter.kidscount.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=8&loct=2#detailed/2/8/false/2048,1729,37,871,870,573,869,36,868,867/10,11,9,12,1,185,13/324,323>

cost of living in the state.² Increasing the EITC from 30-40% of the federal credit will increase the maximum credit by about \$439 for eligible families with one child, and up to \$817 for families with more than two children. This will further mitigate tax inequities, and provide under-resourced families with additional means to cover an emergency, pay down debt, find secure housing or even to save for a rainy day. Other social programs contain a variety of administrative burdens and costs that simply do not exist with EITC. In terms of actual expenses, since 2015, the state EITC has cost on average \$123 million annually, but estimates have shown that for every dollar received from EITC, there is an economic output of \$1.24.³ Evidence shows that this refund goes back into the local economies, increasing economic growth and prosperity in communities across the state.⁴

Child Tax Credit: The proposed Child Tax Credit will be accessible to families that have higher family incomes, but are still struggling to raise children in a high cost state. yet they struggle to raise a family in such an expensive state.

As described in the United Way ALICE Report, ALICE families, (Asset Limited, Income Constrained and Employed), are those who earn over the Federal Poverty Level, are not eligible for most social service programs such as Care4Kids or SNAP, and struggle to make ends meet. The [2020 Connecticut United Way ALICE](#) report indicates that in Connecticut, a “survival budget” for a family of four is over \$90,000. However, with inflation the cost has increased to \$110,000. ALICE families live pay-check to paycheck, with no wiggle room, and no real emergency savings. ALICE represents 33% of all Connecticut families with children, and are disproportionately represented by families of color and women, including; 63% of Hispanic households, 57% of Black households, and 73% if female head of household families.

The CTC has a farther reach than the EITC, with eligibility up to \$100,000 for single tax filers, and \$200,000 for married couples. This ensures that the taxable income for both low and middle income families with children is adjusted to account for the cost of raising a child in Connecticut. Of note, the Child Tax Credit legislation ensures that ALICE families, who don’t earn enough to be financially stable but earn too much to be eligible for other state support, have a lower tax burden.

A state Child Tax Credit is crucial to increase the ability of ALICE families to afford basic necessities like food, rent, and child care. With tight budgets, the credit could be the one bit of extra money available for an emergency. Research indicates that the income provided by refundable tax credits increases family savings, reduces debt, improves financial well-being.⁵

Tax credits have been found to be among the most targeted and effective ways to increase family financial security. The short-lived federal child tax credit demonstrated that with additional cash to

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<https://datacenter.kidscount.org/data/tables/4631-state-earned-income-tax-credit-currency-claimed?loc=8&loct=2#detail/2/any/false/574,1729,37,871,870,573,869,868,867/any/10727>

³<https://ctvoices.org/wp-content/uploads/2020/04/Just-Research-CRR-Supporting-Connecticuts-Economy-Recession-and-Recovery-1.pdf>

⁴ <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>

⁵ Gangopadhyaya, Blavin, Braga, and Jason Gates, “Credit Where It is Due: Investigating Pathways From Earned Income Tax Credit Expansion to Maternal Mental Health.” *Health Economics* 29 (2020): 975– 991. <https://doi.org/10.1002/hec.4034>

cover bills, debt, emergencies and general monthly bills, families did better and children benefited and child poverty was reduced.⁶ Yet, the federal credit has expired, and other ARPA supports are sun setting, including enhanced SNAP, leaving families to fight inflation and the rising costs to raise children.

The highest cost facing families with young children is early care and education. The **additional tax reform options** in HB 5673 will provide a more equitable tax system and revenue would be available to **support the cost to be employed**. A recent OEC parent survey has data suggesting 17% of parents are paying over 30% of their family income on child care so they can work, most others are paying well more than the 7% of family income considered reasonable by the federal government. (image at end)

CAHS conducted a provider survey in November of 2022, representing about 20% of center based capacity. While early care is unaffordable for most parents, program directors report that early childhood programs are operating within a broken business model. 34% of providers,(representing private tuition based, fully subsidized, and hybrid combination models),responded that they are not generating enough revenue to sustain their program. Another third of the providers are not sure if their programs will be sustainable going forward. When family home based providers were asked about the challenges being faced, 43% indicated that the cost of doing business was their greatest barrier. 22% cited enrollment, noting that families are not seeking early care as in the past,

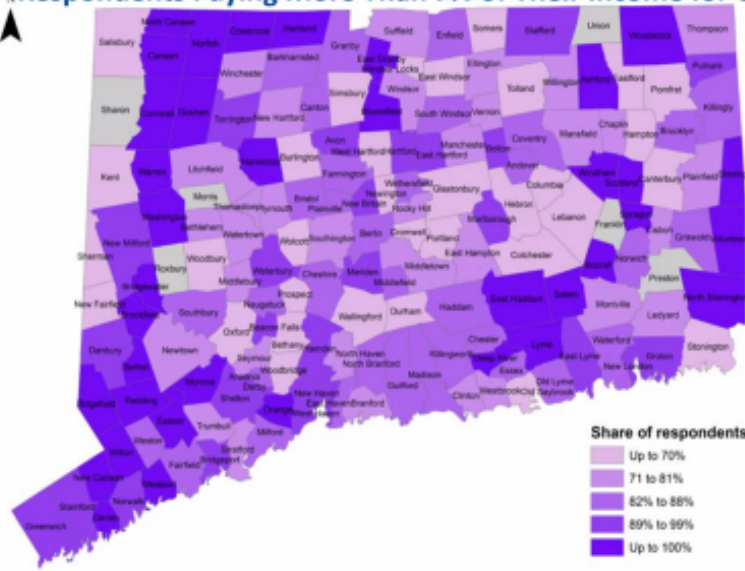
The inability to increase revenue to pay staff at wages commensurate with education, training and experience was cited as the biggest barrier to program financial sustainability. Early educators are some of the lowest paid employees in the state. There has been a massive turnover in early care programs with many educated teaching staff leaving the industry for the public school, or other jobs with better wages and compensation, including Target and Amazon. Survey data estimates that this led to 4500 staff vacancies, leading to closed classrooms which resulted in about 22,000 early childhood unutilized slots. Accordingly, many programs have waiting lists, leaving parents to find other options of care as they wait for staff to be hired and space to become available. Other parents take part time work and find other care options, or are leaving the workforce entirely.

Meanwhile Connecticut employers have over 100,000 jobs that are going unfilled because employers can't find employees. One of the main barriers cited is access to affordable child care. Electric Boat needs to hire over 5,000 new employees this year alone, but how will they attract younger workers if there is not a substantial increase in available and affordable early care in the New London area ?

The past few years has made abundantly clear the need for transformative action to reduce inequities, increase economic benefits and social mobility, and effectively target those most in need.

⁶ <https://www.epi.org/blog/child-tax-credit-expansions-were-instrumental-in-reducing-poverty-to-historic-lows-in-2021/>

Respondents Paying More Than 7% of Their Income for Child Care



Map prepared by: Dr. Marcello Graziano.
Data: UConn and CT OEC Parents' Survey 2022
Projection: NAD 1983 UTM 18 N